

Real Estate Brokers and Sales Agents

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Significant Points

- Real estate brokers and sales agents often work evenings and weekends and usually are on call to suit the needs of clients.
- A license is required in every State and the District of Columbia.
- Although gaining a job as a real estate agent or broker may be relatively easy, beginning agents and brokers may face competition from well-established, more experienced agents and brokers in obtaining listings and in closing a sufficient number of sales.

Nature of the Work

One of the most complex and important financial events in peoples' lives is the purchase or sale of a home or investment property. Because of this complexity and importance, people usually seek the help of real estate brokers and sales agents when buying or selling real estate.

Real estate brokers and sales agents have a thorough knowledge of the real estate market in their community. They know which neighborhoods will best fit clients' needs and budgets. They are familiar with local zoning and tax laws and know where to obtain financing. Agents and brokers also act as intermediaries in price negotiations between buyers and sellers.

Real estate agents usually are independent sales workers who provide their services to a licensed real estate broker on a contract basis. In return, the broker pays the agent a portion of the commission earned from the agent's sale of the property. Brokers are independent businesspeople who sell real estate owned by others; they also may rent or manage properties for a fee. When selling real estate, brokers arrange for title searches and for meetings between buyers and sellers wherein details of the transactions are agreed upon and the new owners take possession of the property. A broker may help to arrange favorable financing from a lender for the prospective buyer; often, this makes the difference between success and failure in closing a sale. In some cases, brokers and agents assume primary responsibility for closing sales; in others, lawyers or lenders do so. Brokers supervise agents who may have many of the same job duties. Brokers also manage their own offices, advertise properties, and handle other business matters. Some combine other types of work, such as selling insurance or practicing law, with their real estate business.

Besides making sales, agents and brokers must have properties to sell. Consequently, they spend a significant amount of time obtaining listings—agreements by owners to place properties for sale with the firm. When listing a property for sale, agents and brokers compare the listed property with similar properties that recently sold, in order to determine a competitive market price for the property. Once the property is sold, the agent who sold it and the agent who obtained the listing both receive a portion of the commission. Thus, agents who sell a property that they themselves have listed can increase their commission.

Most real estate brokers and sales agents sell residential property. A small number, usually employed in large or specialized firms, sell commercial, industrial, agricultural, or other types of real estate.

Every specialty requires knowledge of that particular type of property and clientele. Selling or leasing business property requires an understanding of leasing practices, business trends, and the location of the property. Agents who sell or lease industrial properties must know about the region's transportation, utilities, and labor supply. Whatever the type of property, the agent or broker must know how to meet the client's particular requirements.

Before showing residential properties to potential buyers, agents meet with them to get a feeling for the type of home the buyers would like. In this prequalifying phase, the agent determines how much the buyers can afford to spend. In addition, the agent and the buyer usually sign a loyalty contract which states the agent will be the only one to show houses to the buyers. An agent or broker uses a computer to generate lists of properties for sale, their location and description, and available sources of financing. In some cases, agents and brokers use computers to give buyers a virtual tour of properties in which they are interested. With a computer, buyers can view interior and exterior images or floor plans without leaving the real estate office.

Agents may meet several times with prospective buyers to discuss and visit available properties. Agents identify and emphasize the most pertinent selling points. To a young family looking for a house, they may emphasize the convenient floor plan, the area's low crime rate, and the proximity to schools and shopping centers. To a potential investor, they may point out the tax advantages of owning a rental property and the ease of finding a renter. If bargaining over price becomes necessary, agents must follow their client's instructions carefully and may have to present counteroffers in order to get the best possible price.

Once both parties have signed the contract, the real estate broker or agent must make sure that all special terms of the contract are met before the closing date. For example, the agent must make sure that the mandated and agreed-upon inspections, including that of the home and termite and radon inspections, take place. Also, if the seller agrees to any repairs, the broker or agent must see that they are made. Increasingly, brokers and agents are handling environmental problems as well, by making sure that the properties they sell meet environmental regulations. For example, they may be responsible for dealing with lead paint on the walls. While loan officers, attorneys, or other persons handle many details, the agent must ensure that they are completed.



When a buyer is ready to purchase a property, the real estate agent or broker drafts a contract that details the terms of the buyer's offer.

Working Conditions

Advances in telecommunications and the ability to retrieve data about properties over the Internet allow many real estate brokers and sales agents to work out of their homes instead of real estate offices. Even with this convenience, much of the time of these workers is spent away from their desks—showing properties to customers, analyzing properties for sale, meeting with prospective clients, or researching the state of the market.

Agents and brokers often work more than a standard 40-hour week. They usually work evenings and weekends and are always on call to suit the needs of clients. Business usually is slower during the winter season. Although the hours are long and frequently irregular, most agents and brokers have the freedom to determine their own schedule. Consequently, they can arrange their work so that they can have time off when they want it.

Employment

In 2002, real estate brokers held about 99,000 jobs; real estate sales agents held 308,000. Many worked part time, combining their real estate activities with other careers. Almost 6 out of 10 real estate agents and brokers were self-employed. Real estate is sold in all areas, but employment is concentrated in large urban areas and in smaller, but rapidly growing communities.

Most real estate firms are relatively small; indeed, some are one-person businesses. By contrast, some large real estate firms have several hundred agents operating out of numerous branch offices. Many brokers have franchise agreements with national or regional real estate organizations. Under this type of arrangement, the broker pays a fee in exchange for the privilege of using the more widely known name of the parent organization. Although franchised brokers often receive help in training sales staff and running their offices, they bear the ultimate responsibility for the success or failure of their firms.

Real estate brokers and sales agents are older, on average, than most other workers. Historically, many homemakers and retired persons were attracted to real estate sales by the flexible and part-time work schedules characteristic of the field. These individuals could enter, leave, and later reenter the occupation, depending on the strength of the real estate market, their family responsibilities, or other personal circumstances. Recently, however, the attractiveness of part-time real estate work has declined, as increasingly complex legal and technological requirements are raising startup costs associated with becoming an agent.

Training, Other Qualifications, and Advancement

In every State and the District of Columbia, real estate brokers and sales agents must be licensed. Prospective agents must be high school graduates, at least 18 years old, and pass a written test. The examination—more comprehensive for brokers than for agents—includes questions on basic real estate transactions and laws affecting the sale of property. Most States require candidates for the general sales license to complete between 30 and 90 hours of classroom instruction. Those seeking a broker's license need between 60 and 90 hours of formal training and a specific amount of experience selling real estate, usually 1 to 3 years. Some States waive the experience requirements for the broker's license for applicants who have a bachelor's degree in real estate.

State licenses typically must be renewed every 1 or 2 years, usually without having to take an examination. However, many States require continuing education for license renewals. Prospective agents and brokers should contact the real estate licensing commission of the State in which they wish to work in order to verify exact licensing requirements.

As real estate transactions have become more legally complex, many firms have turned to college graduates to fill positions. A large number of agents and brokers have some college training. College courses in real estate, finance, business administration, statistics, economics, law, and English are helpful. For those who intend to start their own company, business courses such as marketing and accounting are as important as those in real estate or finance.

Personality traits are equally as important as academic background. Brokers look for applicants who possess a pleasant personality, are honest, and present a neat appearance. Maturity, tact, trustworthiness, and enthusiasm for the job are required in order to motivate prospective customers in this highly competitive field. Agents should be well organized, be detail oriented, and have a good memory for names, faces, and business particulars.

Those interested in jobs as real estate agents often begin in their own communities. Their knowledge of local neighborhoods is a clear advantage. Under the direction of an experienced agent, beginners learn the practical aspects of the job, including the use of computers to locate or list available properties and identify sources of financing.

Many firms offer formal training programs for both beginners and experienced agents. Larger firms usually offer more extensive programs than smaller firms. More than a thousand universities, colleges, and junior colleges offer courses in real estate. At some, a student can earn an associate's or bachelor's degree with a major in real estate; several offer advanced degrees. Many local real estate associations that are members of the National Association of Realtors sponsor courses covering the fundamentals and legal aspects of the field. Advanced courses in mortgage financing, property development and management, and other subjects also are available through various affiliates of the National Association of Realtors.

Advancement opportunities for agents may take the form of higher rates of commission. As agents gain knowledge and expertise, they become more efficient in closing a greater number of transactions and increase their earnings. In many large firms, experienced agents can advance to sales manager or general manager. Persons who have received their broker's license may open their own offices. Others with experience and training in estimating property value may become real estate appraisers, and people familiar with operating and maintaining rental properties may become property managers. (See the statement on property, real estate, and community association managers elsewhere in the *Handbook*.) Experienced agents and brokers with a thorough knowledge of business conditions and property values in their localities may enter mortgage financing or real estate investment counseling.

Job Outlook

Employment of real estate brokers and sales agents is expected to grow more slowly than the average for all occupations through the year 2012. Increasing use of information technology will continue to raise the productivity of agents and brokers, limiting the potential for job growth to a certain extent. Prospective customers often can conduct their own searches for properties that meet their criteria by accessing real estate information on the Internet. Real estate companies often use computer-generated images to show houses to customers without leaving the office. In addition, cellular phones can send and receive large amounts of data, allowing agents and brokers to become more efficient and to serve a greater number of customers. However, most people still want and need the services of real estate agents and brokers to handle the actual sale. The use of technology may eliminate some marginal agents, such as those practicing real estate part-time or temporarily be-

tween jobs. Such workers generally are not able to compete with full-time agents who have invested in the technology. Changing legal requirements, such as disclosure laws, may also dissuade some who are not serious about practicing full time from continuing to work part time.

Real estate agents and brokers will continue to experience some employment growth due to the increasing housing needs of a growing population, as well as the perception that real estate is a good investment. Low interest rates should continue to stimulate sales of real estate, resulting in the need for more agents and brokers. In addition, a large number of job openings will arise each year from the need to replace workers who transfer to other occupations or leave the labor force. This occupation is relatively easy to enter and is attractive, due to the flexible working conditions, the high interest in, and knowledge of, local real estate markets that entrants often have, and the potential for high earnings. Therefore, although gaining a job as a real estate agent or broker may be relatively easy, beginning agents and brokers may face competition from well-established, more experienced agents and brokers in obtaining listings and in closing a sufficient number of sales. Well-trained, ambitious people who enjoy selling, especially those with extensive social and business connections in their communities, should have the best chance for success.

Employment of real estate brokers and sales agents often is sensitive to swings in the economy, especially interest rates. During periods of declining economic activity and increasing interest rates, the volume of sales and the resulting demand for sales workers falls. As a result, the earnings of agents and brokers decline, and many work fewer hours or leave the occupation altogether.

Earnings

The median annual earnings of salaried real estate agents, including commissions, were \$30,930 in 2002. The middle 50 percent earned between \$21,010 and \$52,860 a year. The lowest 10 percent earned less than \$15,480, and the highest 10 percent earned more than \$83,780.

Median annual earnings of salaried real estate brokers, including commission, were \$50,330 in 2002. The middle 50 percent earned between \$29,240 and \$90,170 a year. The lowest 10 percent earned less than \$17,920, and the highest 10 percent earned more than \$145,600 a year.

Commissions on sales are the main source of earnings of real estate agents and brokers. The rate of commission varies according to whatever the agent and broker agree on, the type of property, and its value. The percentage paid on the sale of farm and commercial properties or unimproved land usually is higher than the percentage paid for selling a home.

Commissions may be divided among several agents and brokers. The broker or agent who obtained the listing usually shares their commission when the property is sold with the broker or agent who made the sale, and also with the firm that employs them. Although an agent's share varies greatly from one firm to another, often it is about half of the total amount received by the firm. Agents who both list and sell a property maximize their commission.

Income usually increases as an agent gains experience, but individual ability, economic conditions, and the type and location of the property also affect earnings. Sales workers who are active in community organizations and in local real estate associations can broaden their contacts and increase their earnings. A beginner's earnings often are irregular, because a few weeks or even months may go by without a sale. Although some brokers allow an agent to draw against future earnings from a special account, the practice is not usual with new employees. The beginner, therefore, should

have enough money to live for about 6 months or until commissions increase.

Related Occupations

Selling expensive items such as homes requires maturity, tact, and a sense of responsibility. Other sales workers who find these character traits important in their work include insurance sales agents; retail salespersons; sales representatives, wholesale and manufacturing; and securities, commodities, and financial services sales agents. The work of property, real estate, and community association managers, although not involving sales, requires a knowledge of real estate.

Sources of Additional Information

Information on license requirements for real estate brokers and sales agents is available from most local real estate organizations or from the State real estate commission or board.

More information about opportunities in real estate is available on the Internet site of the following organization:

► National Association of Realtors. Internet: <http://www.realtor.org>